

## Message Text

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62

ACTION NEA-06

INFO OCT-01 SS-14 ISO-00 EB-03 TRSE-00 NSCE-00 NSC-05

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R 241605Z JAN 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 1671

INFO AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

C O N F I D E N T I A L CAIRO 921

LIMDIS

E.O. 11652: N/A

TAGS: EFIN ETRD EGEN EG

SUBJECT: RUMORED LIQUIDITY CRISIS

1. RUMORS ARE GROWING IN CAIRO THAT GOE'S CONTINUED AND EXPANDED USE OF CORRESPONDENT BANK FACILITIES OVER PAST YEAR TO FINANCE MASSIVE INCREASE IN IMPORTS WILL RESULT IN CRISIS FOREIGN EXCHANGE SITUATION IN NEXT FEW MONTHS. NO ONE OUTSIDE EGYPTIAN BANKING CIRCLES HAS BEEN ABLE OBTAIN HARD INFO, BUT FOREIGN BANKING AND DIPLOMATIC OBSERVERS GUESSTIMATE THAT SUMS IN EXCESS OF \$1.3 - 1.6 BILLION WILL FALL DUE BETWEEN NOW AND END OF MAY. WHILE SOME ROLL-OVER CAN BE ANTICIPATED, GOE IS NOT EXPECTED TO BE ABLE PRODUCE ANYTHING NEAR REQUIRED AMOUNTS.

2. THROUGHOUT PAST SEVERAL YEARS, DESPITE POOR RECORD OF PAYMENT ON VARIOUS OTHER TYPES OF FINANCIAL FACILITIES, INCLUDING GOVERNMENT-TO-GOVERNMENT LOANS, GOE HAS MAINTAINED EXCELLENT CREDITABILITY RATING WITH BANKS BY PROMPTLY AND FULLY MEETING PAYMENT DATES AND AMOUNTS. THIS IS CONSIDERED TO BE ONE OF PRINCIPAL FACTORS THAT HAS CONTRIBUTED TO PRESENT DIFFICULTIES.

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3. IMPACT ON ECONOMY OF ANY MARKED CHANGE IN SITUATION IS

NOT LOST ON GOE, PARTICULARLY IN LIGHT OF CURRENT WIDESPREAD DISSATISFACTION WITH SHORTAGES AND PRICE INCREASES. THIS CONCERN MAY WELL BE ONE OF REASONS THAT SADAT HAS RECENTLY BEGUN TO SPEAK OPENLY OF HIS DISAPPOINTMENT THAT OIL-RICH ARAB BROTHERS HAVE NOT BEEN EXACTLY OPENHANDED.

4. DEPT MAY RECALL THAT REDUCED RELIANCE ON SHORT-TERM CREDITS, INCLUDING BANK FACILITIES, WAS ONE OF REQUIREMENTS IMF INTENDED TO LEVY ON EGYPT LAST FALL IN EXCHANGE FOR STANDBY AGREEMENT. GOE'S INABILITY OR AT LEAST UNWILLINGNESS ACCEPT SUCH RESTRICTIONS CAN NOW BE CONSIDERED IN LIGHT OF WHAT WAS EVIDENTLY TAKING PLACE AT THE TIME, I.E. INCREASED RATHER THAN DECREASED AMOUNTS OF SHORT-TERM CREDIT.

5. COMMENT: EGYPT'S MISCALCULATIONS AS TO AMOUNTS OF HELP IT COULD EXPECT HAVE NOT YET HAD THEIR FINAL EFFECT. 1975 BUDGET ANTICIPATES TRADE BALANCE DEFICIT OF MORE THAN LE ONE BILLION TO BE COVERED, ACCORDING TO GOE OFFICIALS, BY "OTHERS". IN THE MEANTIME, HOWEVER, CRITICAL NATURE OF FORTHCOMING LIQUIDITY CRISES, IF AS BAD AS KNOWLEDGEABLE PEOPLE SEEM TO EXPECT, COULD HAVE SEVERE IMPACT ON SADAT REGIME.

6. PRESIDENT SADAT, WHEN TALKING WITH CODEL INOUE AND AMBASSADOR IN ASWAN, JAN 21, MENTIONED SEVERE LIQUIDITY PROBLEM GOE IS FACING AND HIS HOPE ARAB OIL STATES WOULD BE MORE HELPFUL THAN THEY HAVE IN PAST IN PROVIDING UNTIED FUNDS.  
EILTS

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
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